

TRANSCRIPT PREPARED BY THE CLERK OF THE LEGISLATURE  
Transcriber's Office

COMMITTEE ON NEBRASKA RETIREMENT SYSTEMS  
February 22, 2005  
LB 364, 732, 328

The Committee on Nebraska Retirement Systems met at 12:15 p.m. on Tuesday, February 22, 2005, in Room 1525 at the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB 364, LB 732, and LB 328. Senators present: Elaine Stuhr, Chairperson; John Synowiecki, Vice Chairperson; Patrick Bourne; Philip Erdman; Don Pederson; and Marian Price.

SENATOR STUHR: Good afternoon. We're ready to begin the hearings for the Retirement System. I'm Elaine Stuhr and I serve as Chair of the committee, and I'd like to make introductions for the rest of the committee. And to my far right is Senator Marian Price from Lincoln; and Senator Patrick Bourne from Omaha; legal counsel, Jason Hayes; and I'm sure that to my left Senator Synowiecki, at least I haven't talked to him, but he isn't here right now, but we will introduce him when he comes; Senator Phil Erdman from Bayard; and Senator Don Pederson from North Platte; and our committee clerk, Kathy Baugh. And our page this afternoon is Matt Rathje. And so if you have anything to hand out, I know that he will be glad to assist. Just a couple reminders as we begin the hearing. Please turn off your cell phones and any pagers that you might have. Those wishing to testify should come to the front of the room. We have three bills this afternoon that we are going to hear. If you're testifying, please print your name and fill out the information on the sheet. And as you begin your testimony, please state your name and spell your name. This is important for the transcribers. And if you have handouts, please give them to Matt, and he will pass them around. Today's bills are LB 364, LB 732, and LB 328. And we will hear testimony after our introductions for proponents of the bill, opponents, and those that are wishing to testify in a neutral capacity. So we will begin this afternoon with LB 364. And Jason Hayes will do that introduction. And Senator Synowiecki has joined us.

LB 364

JASON HAYES: (Exhibit 1) Good afternoon, Senator Stuhr and members of the Nebraska Retirement Systems Committee. My name is Jason Hayes, H-a-y-e-s, counsel for the committee,

Transcript Prepared by the Clerk of the Legislature  
Transcriber's Office

Committee on Nebraska  
Retirement Systems  
February 22, 2005  
Page 2

LB 364

and I'm here to introduce LB 364. LB 364 is a comprehensive technical bill that would make a number of changes to the Class V School Employees Retirement Act. These changes would apply only to those school employees covered within the Class V School Employees Retirement Act including Omaha Public Schools. Each one of these changes were originally submitted by the Class V Retirement System to the committee. LB 364 proposes the following changes that I will briefly cover. First, the bill would require the completion of 1,000 hours of service in order to receive credit for a full year of membership service. Currently, membership service has not been defined and has been varied or has varied depending on a member's contract. This change would define a year of service as a fiscal period in which the member completes 1,000 hours. Second, fractional years of service would be measured in tenths. Currently, fractional years of service are measured in half years. This change would measure fractional portions of a year in tenths with one-tenth earned for each 100 hours. Third, the compensation definition will be changed to include qualified transportation fringes as compensation. This is a technical change that would add to the definition amounts not currently included in reported income by reason of it being a qualified transportation fringe. And currently this is not considered compensation by Omaha Public Schools. Next there is a change on how prior years of service are purchased by members. This change would replace the existing procedures for the purchase of prior service credits and would require that years of purchase service from other school districts could not exceed the member's service in the Omaha Public Schools. Any service from another school district reflected in the calculation of the retirement benefit that is greater than the amount of service with OPS could not be purchased. Finally, LB 364 would make changes in eligibility of a designated beneficiary. This is a technical change that would increase the acceptable age difference of a designated beneficiary and member who selects a joint and survivor retirement option. Members who would select a joint and survivor form of benefit payment at retirement would continue to receive a smaller actuarially equivalent monthly benefit based upon their selection. There is a representative from the Class V Retirement System who is available to address your questions and each one of these changes in more detail while

Transcript Prepared by the Clerk of the Legislature  
Transcriber's Office

Committee on Nebraska  
Retirement Systems  
February 22, 2005  
Page 3

LB 364

explaining the need for each change.

SENATOR STUHR: Okay. Are there any questions for Jason? If not, thank you. Those wishing to testify as proponents come forward. Good afternoon.

MICHAEL SMITH: (Exhibit 2) Good afternoon, Senator Stuhr, members of the committee. My name is Michael Smith, S-m-i-t-h. I'm Executive Director of the Omaha School Employees Retirement System. I'm here to speak in favor of LB 364 and to try to explain any of the questions that might arise as to why we're asking for these changes. The current situation, as was explained, is that a creditable year of service in the Omaha Schools is a function of the contract that the employee happens to occupy, whether that be a 190-day contract or 195 or a 200-day or a 210-day or a 261-day or a 274-day or many of the other contracts that exist. It has become increasingly too complex to try to deal with that, and we're asking very simply to go to the nationwide standard that's used of 1,000 hours and that's the reason for that first change that has been spoken of. And as we go to that 1,000 hours, it becomes very simple for us then to move to tenths of a year of credit rather than the current practice of either whole, half, or nothing. So it just provides a greater degree of equity among our members. As far as the purchase of service, there are two provisions on purchase of service. One of those is that notion that if, in fact, an employee comes to OPS, they have the right to purchase up to ten years of service if they worked somewhere else for a public school or an educational service unit. However, we believe very strongly that they need to work at Omaha Public Schools for at least as many years as they choose to purchase. So rather than to be able to work for OPS for 5 years, having purchased 10, and then retire with 15, very simply that it would be a one for one. If they want to go ahead and purchase ten years, then they need to work for ten years as well. Likewise, we do not want them to do what is currently available to them and that is to retire from, let's say IPERS, Iowa's retirement system, and purchase ten years of Iowa time into the Omaha system, thereby being able to take benefit of both the Omaha retirement on those ten years of Iowa time and the Iowa system on those ten years of Iowa time. Heretofore it's not been a big issue. But as we continue to have a greater

Transcript Prepared by the Clerk of the Legislature  
Transcriber's Office

Committee on Nebraska  
Retirement Systems  
February 22, 2005  
Page 4

LB 364

number of retirees being rehired into school districts, this becomes an issue for us that we want to close. And so we're asking for that change to be made as well that if, in fact, they're going to use the time in another system, then very simply they don't buy it into the Omaha system because they're already obtaining a benefit based on that. The whole notion of the conformance to IRS Code then takes the shape of this transportation fringe benefit. Our legal counsel has indicated that IRS has become very, very snippy in terms of wanting the various provisions that IRS believes could be an issue incorporated into plan documents. This transportation issue is very simply one of parking. If you charge for parking, and if you then provide it to them as some kind of a fringe benefit, is that or is that not part of compensation? Well, for us it's a moot point. We don't charge for parking. It's a nonissue. But since IRS says we want you to specifically spell out whether or not that is or isn't part of compensation, so our legal counsel has said let's just go ahead and make sure it's clearly spelled out. Although, as I say, since we don't charge for parking it's not a particular concern. The one that is more meaningful to us is the whole notion of how wide of an age spread can a joint and survivor have from our member? Again, IRS is quite concerned about generation-skipping tax. And so they say if, in fact, you're going to share your pension with someone else, then that someone else, unless it is a spouse, can be no greater than, in the case of 100 percent sharing, ten years younger than the member. In the case of a 75 percent sharing, 19 years younger than the member. But those ages were based on an age 70 retirement. IRS was challenged by another plan in the United States and they lost. And so IRS had to change their provisions to say, okay, if the member retired at age 60, then you could subtract their age from age 70, getting 10, and add that to the age spread that's legal so as to then fit the IRS Code. So it's a matter of just complying with what IRS now says is legal in terms of the age spread between nonspousal joint and survivor recipients. Now that's a fairly minor issue because the instances where we have a nonspousal joint and survivor is very, very small. You know, a situation where you've got, as an example, someone who knows they're terminally ill, so as a result, they want to go ahead and provide a brother or a sister or something like that with the benefits because they know they're not going to be

Transcript Prepared by the Clerk of the Legislature  
Transcriber's Office

Committee on Nebraska  
Retirement Systems  
February 22, 2005  
Page 5

LB 364

around to enjoy them. So it's not a real common occurrence, but is one that we wanted to conform to IRS statutes. So those are the reasons for this particular legislation, and I'd certainly be pleased to address any questions you might have on the technical changes.

SENATOR STUHR: Okay. Are there any questions for Mr. Smith? I have one, Mike. Will that tenth of a year, is that going to have much of an influence do you think on the total numbers?

MICHAEL SMITH: We talked with our actuary about the actuarial impact of this. They indicated that because of the actuarial calculations always running to a half year anyhow, in other words, when they do their actuarial valuation, they always run the valuation to the middle of the year, to the half year. They said, no, moving to tenths is not going to have any actuarial impact in terms of the liabilities to the system. So that's why there is no cost associated with this because none of the changes have an actuarial impact on the system.

SENATOR STUHR: The purchase of prior years' service also.

MICHAEL SMITH: Um-hum.

SENATOR STUHR: Will that have much of an impact on the retirement system?

MICHAEL SMITH: The impact it will have is to shut off something that is growing. Now when I say growing, this really came to our attention about three years ago when we had one person. This year I think we have two people who are basically double dipping, taking advantage of a pension in another state while at the same time buying time into Omaha. Is that actuarially significant? No, it really isn't. Is it right? No. And so that's why we're trying to change so it's right, even though will it really make an actuarial difference? Not particularly.

SENATOR STUHR: Okay, all right, thank you. Are there any other questions? I think you've explained it very well. Thank you.

Transcript Prepared by the Clerk of the Legislature  
Transcriber's Office

Committee on Nebraska  
Retirement Systems  
February 22, 2005  
Page 6

LB 364, 732

MICHAEL SMITH: Thank you very much.

SENATOR STUHR: Are there other proponents on LB 364? Are there those wishing to testify in opposition? Those wishing to testify in a neutral capacity? Okay, that...I believe we'll waive closing and that will close the hearing on LB 364. Now open the hearing on LB 732. Welcome, Senator Bourne.

LB 732

SENATOR BOURNE: Thank you, Senator Stuhr, members of the Retirement Committee. My name is Pat Bourne. I represent the 8th Legislative District in Omaha, here today to introduce LB 732. It has been the practice of this Legislature for over 60 years that when general revenues are contributed to the Nebraska School Employees Retirement System, the Omaha Schools Retirement System would be treated equitably. LB 732 would provide that if the Legislature determines that a payment to the Nebraska School Employees Retirement System is necessary, then that payment will be computed as a percent of payroll. If the Omaha School Employees Retirement System certifies that it also needs additional funds to meet its actuarially required contributions, then the state would contribute to that fund the same percent of payroll as was paid to the Nebraska School Employees Retirement System. If it is determined by the Legislature that an actuarial deficit would be covered by an increase in member contributions or that the Nebraska School Employees Retirement System does not require additional general revenues, then there would be no contributions to the Omaha School Employees Retirement System. That is what LB 732 does. Thank you.

SENATOR STUHR: Okay. Thank you. Are there questions for Senator Bourne? If not, those wishing to testify as proponents, come forward. Welcome.

MICHAEL SMITH: (Exhibit 3) Good afternoon. My name is Michael Smith, S-m-i-t-h. I'm the Executive Director of the Omaha School Employees Retirement System. Sixty years ago the Unicameral implemented a retirement system for school employees in the state of Nebraska. And as a part of that

Transcript Prepared by the Clerk of the Legislature  
Transcriber's Office

Committee on Nebraska  
Retirement Systems  
February 22, 2005  
Page 7

LB 732

system, they implemented something called a service annuity. In that year of 1945, the Omaha Public Schools had already been providing retirement benefits for 36 years, having begun its retirement system in 1909. The Unicameral specified that that new service annuity benefit was going to be paid to all school employees throughout the state, including those in Omaha Public Schools. And the reason is because that service annuity was to be paid from general revenues rather than from the member contributions or the school district contributions. That benefit at the point it was implemented was a whole dollar a month for every year of service that you provided to public education. Now obviously that has changed over the years. It's in fact changed three times. It changed in 1968, 1973, and again in 1981. And again the Unicameral, in each of those changes, ensured that those General Fund revenues funding the service annuity would also be paid to the members of the Omaha Retirement System because it is General Fund revenues. Twenty years ago the Unicameral recognized a funding need in the Nebraska School Employees Retirement System. As a result, they passed legislation that placed seven-tenths of one percent of payroll from general revenues into the Nebraska Retirement System. Using the same principle of equity, the Unicameral also chose to place seven-tenths of one percent of the payroll with Omaha Public Schools into the Omaha Retirement System. In 1989, the Unicameral passed something called the Help Education Lead to Prosperity Act. And it was an effort to provide a supplemental pay to teachers for their service to the students in our state. Nine years ago the Unicameral changed the payment process of those HELP dollars, and rather than sending checks to the teachers, so to speak, it chose to contribute those monies to the retirement systems, both NSERS and OSERS, as well as a couple of others, again, the whole concept of general revenues being equitably distributed between the two retirement systems. Three years ago the Unicameral placed into law changes in Section 79-966 and created 79-966.01. These changes indicate that, if the board of the state system indicates that there is insufficient contributions to meet the actuarially required contribution rate, then general revenues are to be appropriated to fund that shortfall. LB 732, the bill that we're speaking of before you today, would continue the practice that has existed as long as the state has provided a retirement system to its

Transcript Prepared by the Clerk of the Legislature  
Transcriber's Office

Committee on Nebraska  
Retirement Systems  
February 22, 2005  
Page 8

LB 732

school employees. And that is that if general revenues are used then there's going to be equitable treatment of both the employees of the state retirement system, as well as the Omaha retirement system. LB 732 provides that if the Unicameral does determine under 79-966 and 79-966.01 that a payment to the state system is necessary then the payment will be computed as a percent of payroll and that percent of payroll will be applied to the payroll of the Omaha system and that payment then made to OSERS. It also requires, though, that OSERS, the Omaha system, must certify that it, too, needs additional funds to meet its actuarially required contribution rate so we're not involved in an issue where the Omaha system may have funding sufficient and still receive some kind of a payment. If, as is currently the plan, the members of the state system and the school districts that fund that state system choose to increase their corresponding contribution rates, then there will be no payment to either NSERS or OSERS from the general revenues and that's just fine. That is, in fact, how Omaha is handling it today. Omaha has not been insulated from the market vagaries that have occurred in 2000, 2001, 2002 and the school district has been contributing additional funds to meet that actuarially required contribution rate. That's what's going on now. And if that's how this problem is solved, that's fine. There is no funding. LB 732 would not create any additional funding. LB 732 merely puts into statute the equitable treatment principle that has been in existence for six decades now. If General Fund revenues are provided to the state system, then the Omaha employees will be treated on an equitable basis. I would certainly ask your support of LB 732 and would be happy to address any questions you might have.

SENATOR STUHR: Okay, thank you. Are there questions for Mr. Smith? Senator Pederson.

SENATOR D. PEDERSON: Mr. Smith, this is not exactly a question as much as it is an observation, and that is under the fiscal note, Anna Sullivan has stated that we do not have access to the details on the actuarially funded status of the OPS retirement plan, and so we cannot comment on the cost of this proposal. So just for point of observation, although this has been done for an extended period of time, I would just point out that we really don't know what this



Transcript Prepared by the Clerk of the Legislature  
Transcriber's Office

Committee on Nebraska  
Retirement Systems  
February 22, 2005  
Page 9

LB 732

may cost in General Funds.

MICHAEL SMITH: And the issue is one that's to be determined. As an example, if the existing 15-plus million dollar shortfall that has been certified by the state system were to be fully funded through general revenues, that would be about \$2.9 million. That's what the cost would be. But as we've said, that's not the plan on the table. The plan is not to fund it fully through general revenues. So just as kind of a rule of thumb, if you will, a 1 percent contribution rate would be approximately \$2.2 million. Now if there's 1 percent added through general revenues to the state, then it would be about \$2.2 million for Omaha. If it's half a point, then obviously it's \$1.1 million. So it's an issue of how does the state choose to solve the funding issue? If they choose to solve it by means of member and school district monies, there's no cost. So that's why in terms of a fiscal note I can provide you very clearly what the issue would be if, you know, 1 percent were used or the current funding in full would be used. I hope that's helpful.

SENATOR D. PEDERSON: Thank you. I appreciate that explanation.

MICHAEL SMITH: Uh-huh.

SENATOR STUHR: Okay. Are there any other questions for Mr. Smith?

SENATOR BOURNE: Just briefly.

SENATOR STUHR: Yes.

SENATOR BOURNE: NPERS does not have access to the details of the OPS plan?

MICHAEL SMITH: They are provided an actuarial valuation every year when, you know, after it's produced. We're still in the process of finishing up our actuarial valuation for this year. Because we're a single employer plan, we tend to wait until all of the unions have negotiated their contracts so we have the current salary data. Sometimes those aren't negotiated until into the new school year. And so that's

Transcript Prepared by the Clerk of the Legislature  
Transcriber's Office

Committee on Nebraska  
Retirement Systems  
February 22, 2005  
Page 10

LB 732

one of the reasons that we don't have it done yet this year is because some of the unions were not finished with their negotiations yet.

SENATOR BOURNE: So they have access to the actuarial status of the plan, just not as it relates to perhaps new salaries or...

MICHAEL SMITH: Right. Historical data, yes, they have.

SENATOR BOURNE: So all right, thank you.

MICHAEL SMITH: And simply put, the seven-tenths of one percent that I spoke of in my testimony, that's the basis of any kind of contribution because it's the pensionable salaries, and that's an annual number that's provided every year in order to generate the seven-tenths of one percent so this would be on the same kind of a basis.

SENATOR BOURNE: So last year's number is available, but the current one isn't perhaps.

MICHAEL SMITH: Correct.

SENATOR BOURNE: Okay. Thank you.

SENATOR STUHR: So actually, Mr. Smith, what we would be talking about, Mike, is if the \$15 million would have come out of our General Fund then you would be asking for \$2.9 million as a proportionate...

MICHAEL SMITH: Approximately, right. Yeah, that would be the proportionate amount based on fully funding the 15-plus million from the source of general revenues, um-hum.

SENATOR STUHR: All right. Any other questions? All right, thank you very much.

MICHAEL SMITH: Thank you.

SENATOR STUHR: Other proponents. Welcome.

HERB SCHIMEK: Madam Chair, members of the committee, my name is Herb Schimek, S-c-h-i-m-e-k. I represent the

Transcript Prepared by the Clerk of the Legislature  
Transcriber's Office

Committee on Nebraska  
Retirement Systems  
February 22, 2005  
Page 11

LB 732

Nebraska State Education Association. We're here today testifying on this bill basically on the concept of equity. We have supported OPS system getting basically the same things that the teachers in the rest of the state have gotten in the past. Now the devil is in the details and we'll have to see what comes out of the actuarial study that is being done. We want to say that we have decided with the School Boards Association to fully fund the increase that is needed. This is a deal that we made with Senator Wickersham when the original bill was passed dealing with the retirement system. So the teachers will pay extra and the school board will pay extra and basically the raises will be less. We all understand that and that's the way it works. So as long as we're not asking for additional benefits and increases from the state, we don't see that there will be a corresponding increase to the state for OPS system.

SENATOR STUHR: Okay, thank you. Are there questions?

HERB SCHIMEK: Thank you.

SENATOR STUHR: If not, are there other proponents? Welcome.

SAM SCARPELLO: Welcome. Senator Stuhr and other members of the committee, my name is Sam Scarpello and I represent the Nebraska State Council of Electrical Workers and the Omaha Building and Construction Trades Council.

SENATOR STUHR: Could you spell your name please.

SAM SCARPELLO: S-c-a-r-p-e-l-l-o, testifying in support of LB 732.

SENATOR STUHR: Okay. Are there questions? All right, thank you. Any others wishing to testify as proponents? Are there opponents? Any opponents? Those wishing to testify in a neutral capacity? Okay, that will close the hearing on LB 732, and I will turn the proceedings over to Senator Synowiecki.

SENATOR SYNOWIECKI: Thank you, Senator Stuhr. Senator Stuhr will open on LB 328.

Transcript Prepared by the Clerk of the Legislature  
Transcriber's Office

Committee on Nebraska  
Retirement Systems  
February 22, 2005  
Page 12

LB 328

LB 328

SENATOR STUHR: Good afternoon, Senator Synowiecki and members of the Retirement Committee. My name is Elaine Stuhr, S-t-u-h-r, and I represent the 24th Legislative District and am here to introduce LB 328. This bill would permit the University of Nebraska Board of Regents to establish an employer retirement contribution rate which could not exceed 10 percent of each university employee's full-time salary or wage earnings for any calendar year. Basically, this proposal would permit the Board of Regents to increase its employer contribution rate up to 10 percent, if the board chooses to make that change. Currently, the Board of Regents is permitted to establish a rate of not more than 8 percent of each university employee's full-time salary or wage earnings for any calendar year. The actual rate established by the Board of Regents at this time is 7.5 percent. By approving this change, this bill would not automatically increase the rate, but it would give the Regents the opportunity to go up to that 10 percent. The idea for this bill was originally submitted by faculty members of the University of Nebraska. There are testifiers here today who will provide information as to the reasons behind the need to increase this employer contribution rate. If there are any questions, I would be glad to address those.

SENATOR SYNOWIECKI: Questions of Senator Stuhr? Senator Bourne.

SENATOR BOURNE: Senator Stuhr, this is to make the retirement plan more competitive...

SENATOR STUHR: Yes.

SENATOR BOURNE: ...or it's not necessarily to solve an underfunding problem. It's just to make it more competitive.

SENATOR STUHR: Yes. And I'm hoping that someone will be there to share that information. It would have the cap. And if I may share with you, actually the proposal that was

Transcript Prepared by the Clerk of the Legislature  
Transcriber's Office

Committee on Nebraska  
Retirement Systems  
February 22, 2005  
Page 13

LB 328

brought to us was to leave it open-ended, to remove the 8 percent cap and just leave it open-ended. But by compromising, we felt at least just by raising it a bit that that might be a way to address the concern. Okay, thank you.

SENATOR SYNOWIECKI: Other questions of Senator Stuhr? Seeing none, we'll now take proponent testimony for LB 328, proponent testimony.

JAY NOREN: (Exhibits 4, 5, 6) Senator Stuhr, members of the committee, I'm Jay Noren, N-o-r-e-n. I'm executive vice president and provost, University of Nebraska, and I'm testifying in support of LB 328. The university supports this change because, in fact, it does make the university more consistent with both peer groups, regent defined peer groups, and with national trends. It does go without saying that retirement benefits and, of course, as well as salary, are very important factors in recruitment and retention of faculty. And, of course, it also goes without saying that the degree to which we can use those factors depends upon resources. What I'd like to do is briefly summarize three sets of information, and there are three documents going around that will demonstrate this. The first is a comparison of each of our four campuses to their peers on retirement benefits. The second is a national picture of retirement benefits, which is a survey of just under 500 higher education institutions. And then the third is a letter which President Milliken sent to Senator Pederson on the salary context of our relationship to peers and the market, again, important because these two things do go hand in hand. The first document is the one that's got a title on it "Employer Retirement Contribution Rates 2004-05" and it's got four sets. What this shows is that UNL and the Medical Center are both last among their peers, 10th among their peers. University of Nebraska at Kearney is 9th out of 11 peers. And University of Nebraska Omaha, 9th out of 10 peers. And you'll see by each of those boxes that the peer mean for each of the four campuses is very close to 10 percent. The median is 10 percent. The mean is plus or minus half a percent from 10 percent. So this new cap is very consistent with the mean and median of our peers, and so it will provide valuable flexibility for the university on retirement benefits. The second document is a

Transcript Prepared by the Clerk of the Legislature  
Transcriber's Office

Committee on Nebraska  
Retirement Systems  
February 22, 2005  
Page 14

LB 328

blue-colored bar graph and this is what I mentioned earlier, the comparison based on a survey of just under 500 higher education institutions. And although this was done now five...the last time it was done was five years ago, even at that point in time you can see that the most common retirement contribution nationally was 10 percent. And a bit over two-thirds of all the institutions five years ago were at 8 percent or above. So again the changing of the cap to 10 percent is very consistent with national standards as well. And then third is a copy of the letter that President Milliken sent to Senator Pederson which shows the salary situation for the university. Just basically the letter points out that in order to reach the midpoint of peers for faculty and the market comparisons for staff would require a 5.1 percent increase each year of the biennium next year for the faculty and 4.6 percent each year of the biennium next year for staff. Again, this is for context because of the hand-in-hand relationship that retirement benefits and salary have in recruitment and retention. The range at this point in time, current year for faculty salaries is from two point...a little over 2 percent below peers to a little over 7.2 percent below peers so both, again, are important elements in recruitment and retention. So with that summary, I'd be happy to respond to any questions.

SENATOR SYNOWIECKI: Thank you, Mr. Noren, for your testimony. Any questions? Senator Bourne.

SENATOR BOURNE: Mr. Noren, are all university employees participants in this plan, all full-time?

JAY NOREN: Yes. This is a defined benefit plan. All employees participate equally.

SENATOR BOURNE: And no matter where you're at, our president to the cafeteria worker, they'd get the same, the 7.5 percent?

JAY NOREN: Senator Bourne, that is correct.

SENATOR BOURNE: Thank you.

SENATOR SYNOWIECKI: Mr. Noren, isn't...the university is

Transcript Prepared by the Clerk of the Legislature  
Transcriber's Office

Committee on Nebraska  
Retirement Systems  
February 22, 2005  
Page 15

LB 328

under a defined contribution plan. Is that correct?

JAY NOREN: Yes, it is defined contribution.

SENATOR SYNOWIECKI: Okay. Any other questions of the committee of Mr. Noren? Seeing none, thank you for your testimony today.

JAY NOREN: Thank you.

SENATOR SYNOWIECKI: Other proponents for LB 328.

MILES BRYANT: (Exhibit 7) Senator Stuhr, Senator Synowiecki, my name is Miles Bryant. It's B-r-y-a-n-t, and I am here to speak in favor of LB 328. I want to thank Senator Stuhr for introducing this bill. I believe it will alleviate a significant impediment that has the potential to harm the university in the future. I've got a handout if you would pass that around. Thank you. And some of it will contain information similar to what Jay Noren just gave you. There's a background to this interest of mine in this particular piece of statutory change. There are pros and cons as I see it of this change. There is a compatibility of this proposed change with the principles of the Retirement Committee, as I understand them. And there is some other information that's in this packet for you. We share an interest in the well-being of the university. I think many of you attended the university. I work as a faculty member in the college of education and human sciences. I've worked here since 1986, mainly teaching graduate courses to literally hundreds of students over the years. In recent years, I'm one of the faculty members on the UNL campus that has worked with distance education. I've also served as president of the UNL Academic Senate and it was in that capacity that I first became interested in the retirement cap, as we call it. I want to say to you that I think the university has been remarkably resilient in recent times, given the budget reductions that we've gone through and the difficult financial times. And I think a lesser group of employees might have become passive in the face of that. Things were not easy on our campuses. Yet, I think, as the leaders of the campuses have told you, we've made a lot of progress. So we've been making what I see as fairly steady growth towards some very tough goals. One of

Transcript Prepared by the Clerk of the Legislature  
Transcriber's Office

Committee on Nebraska  
Retirement Systems  
February 22, 2005  
Page 16

LB 328

those goals shows up in our 20-20 report at UNL, which is a report that was produced a number of years ago when James Moeser was our chancellor that laid out a future for us that would have us achieve national stature in terms of our ranking with peer, well, not just peer institutions but national institutions of higher education. At that same time, the Nebraska Board of Regents supported a similar goal of achieving national stature. I think, you know, it's important for us to understand that if we're going to do that then the university needs to be a player nationally. It needs to be an institution that people know about. Our students and scholars and researchers have to be players internationally and nationally, so it follows logically that if we're going to do this we have to be actors in recruiting people from beyond the boundaries of the state. So that's to a large degree speaks to my interest in supporting this bill. I think we do best what we do do by attracting scholars and professionals from other places. And I'm sensitive to Senator Bourne's question about all of the employees of the university. My interest is that we compete as faculty in a national market. That's where we have to compete in a national market to attract people, and we have to compete in that same market to keep people. And I'm not telling you anything you don't know. You have to understand, I guess, the...how I see the relationship with the Board of Regents to this ongoing dilemma of making us competitive in this national market. I think that the authority has to lie with, and this may be strange coming from a faculty member, but it has to lie with Varner Hall, and it has to lie with the regents to make the judgments about how to continue the progress that we've had over the past few years to bring qualified people to this campus to work with students, to do research, to do the scholarship that makes us a player in a national market. I really think we have to take a serious look at this particular benefit that, as Jay Noren shared with you, does not compare well at all. The benefit isn't going to cause faculty members or cause people who might come here, by itself, to prevent them from coming here. Seven and a half percent contribution, you know, that gets mixed into a whole basket of benefits, salary and housing and schools and all kinds of things that people think of. And ditto for people who are looking to leave and we lose people every year, too, people we don't want to lose. But when you look at some of the benefits



Transcript Prepared by the Clerk of the Legislature  
Transcriber's Office

Committee on Nebraska  
Retirement Systems  
February 22, 2005  
Page 17

LB 328

that other places are giving, we just have a very tough time, if that surfaces as an issue for somebody; and we've continued to fall behind for a number of years relative to how we stack up against peers on the retirement benefit. I see currently that the regents' hands are tied. A past Unicameral, and I'm not sure when that happened, decided a long time ago that an 8 percent benefit was a competitive benefit. I don't think that's a good number anymore. And Senator Stuhr's number is a much better number and it at least gives the regents some authority to behave like regents and chart the future of the institution. So I support LB 328 as it's written. I would like to ask you in your own deliberations as a committee on this to consider what my original request was and that you consider whether it wouldn't be appropriate to remove the cap entirely. And I'm not sure that the Unicameral needs to place this limit on the regents. You know, there are lots of checks and balances that get placed on the university budget. So I support the bill as it's written. I would ask you to think about just the possibility that maybe a cap isn't even a necessary imposition. So there is a packet that contains some of this information. I worked on this issue since, I think, 2000. We brought it to the last long session. Quite frankly, the situation at that time was dire enough so that none of us wanted to bring forth any kind of an issue to the Unicameral that might harm the negotiations that were going on at that time, relative to the university budget. So I thank you, Senator Stuhr, for doing this and that's my testimony.

SENATOR SYNOWIECKI: Thank you, Professor. Any questions for Professor Bryant of the committee? Seeing none, oh, excuse me, Senator Stuhr.

SENATOR STUHR: Yes. Can you tell me when the 8 percent cap was put in place?

MILES BRYANT: I wish I could, but I cannot. I don't know what the argument was at the time. As I mentioned to you when we talked, I found it interesting because it seems a little unusual.

SENATOR STUHR: All right. Okay.

Transcript Prepared by the Clerk of the Legislature  
Transcriber's Office

Committee on Nebraska  
Retirement Systems  
February 22, 2005  
Page 18

LB 328

SENATOR SYNOWIECKI: Any other questions?

MILES BRYANT: Thank you very much.

SENATOR SYNOWIECKI: Thank you, Professor. Any other  
proponent testimony for LB 328, proponent testimony?  
Opponent testimony? Seeing none, neutral testimony, LB 328?  
Seeing none, that closes the hearing for LB 328 and the  
gavel is returned to Senator Stuhr.

SENATOR STUHR: Thank you and that closes the hearings for  
today.